Okhahlamba Local Municipality
(Registration number KZN 235)
Annual Financial Statements
for the 12 Months ended June 30, 2017

General Information

Legal form of entity	Local Municipality
Municipal dermacation code	KZN 235
Capacity	Low
Nature of business and principal activities	Service Delivery: Rates,Waste Management and General services. Main business operations: Local government activities, planning and promotion of the integrated development plan, land, economic and environmental development. The mandate of the municipality is in terms of section 152 of the Constitution of South Africa.
Accounting Officer	Mr S.D. Sibande BAed, BTech Management,CPMD,MBA
Councillors	Mayor - Cllr. MG Ndlangisa Deputy Mayor - Cllr. TG Ngozo Speaker - Cllr. SA Zulu Member of the Executive Committee - Cllr. TA Sigubudu Member of the Executive Committee - Cllr. KI Hadebe Member of the Executive Committee - Cllr. BM Dlamini Cllr. ENN Bhengu Cllr. MP Vilakazi Cllr. MJ Hadebe Cllr. MH Msimango Cllr. ZS Khoza Cllr. SR Mlambo Cllr. KS Dladla Cllr. PP Sigubudu Cllr. MMS Vilakazi Cllr. K Simelane Cllr. PAM Mfuphi Cllr. BP Mkhize Cllr. MI Dlamini Cllr. S Ndimande Cllr. TDJ Van Rensburg Cllr. IM Buthelezi Cllr. K Langa Cllr. SM Hlongwane Cllr. SM Buthelezi Cllr. JE Nqubuka Cllr. NA Mdakane Cllr. FE Buthelezi Cllr. SC Hadebe
Registered office	259 Kingsway Road Bergville 3350
Business address	259 Kingsway Road Bergville 3350
Postal address	P. O. Box 71 Bergville

General Information

	3350
Bankers	First National Bank, Absa Bank and Investec Bank
Auditors	Auditor General of South Africa
Preparer	The annual financial statements were internally compiled by: Senior Accountant and reviewed by Chief Financial Officer and Internal Audit

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The reports and statements set out below comprise the annual financial statements presented to the Provincial Legislature:

Abbreviations

GRAP	Generally Recognised Accounting Practice
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government Finance,Audit & Risk Officers
COGTA	Cooperative Governance and Traditional Affairs
SETA WIL	Sectorial Education and Training Authority Work Intergrated Learning
INEP	Intergrated National Electrification Programme
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
IGRAP	Interpretation of Generally Accepted Accounting Policies
LGSETA	Local Government Sectorial Education and Training Authority
SARS	South African Revenue Services

Approval of Annual Financial Statements

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and are given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute assurance against material misstatement or deficit.

The Accounting Officer has reviewed the municipality's cash flow forecast for the 12 months to June 30, 2018 and in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The unaudited financial statements set out on pages 5 to 72, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2017.

Mr S.D. Sibande
BAed, BTech Management,CPMD,MBA

Date of Signature

Thursday, August 31, 2017

Statement of Financial Position as at June 30, 2017

Figures in Rand	Note(s)	30 June 2017 2017	30 June 2016 2016 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	6	657,957	129,253
Receivables from non-exchange transactions	7	485,294	350,108
VAT receivable	8	4,360,214	4,249,733
Consumer debtors	9	20,654,617	23,407,981
Cash and cash equivalents	10	31,376,087	41,431,156
		57,534,169	**69,568,231**
Non-Current Assets			
Property, plant and equipment	3	292,037,428	248,494,377
Intangible assets	4	1,299,846	817,792
		293,337,274	**249,312,169**
Non-Current Assets		293,337,274	249,312,169
Current Assets		57,534,169	69,568,231
Total Assets		**350,871,443**	**318,880,400**
Liabilities			
Current Liabilities			
Finance lease obligation	11	4,470,332	4,462,059
Payables from exchange transactions	14	19,914,856	15,640,239
Employee benefit obligation	5	203,000	26,763
Unspent conditional grants and receipts	12	19,725,059	20,332,911
Provisions	13	766,460	686,926
		45,079,707	**41,148,898**
Non-Current Liabilities			
Finance lease obligation	11	1,715,376	4,540,559
Employee benefit obligation	5	2,114,693	2,310,978
Provisions	13	4,029,504	3,878,137
		7,859,573	**10,729,674**
Non-Current Liabilities		7,859,573	10,729,674
Current Liabilities		45,079,707	41,148,898
Total Liabilities		**52,939,280**	**51,878,572**
Assets		350,871,443	318,880,400
Liabilities		(52,939,280)	(51,878,572)
Net Assets		**297,932,163**	**267,001,828**
Accumulated surplus		297,932,160	267,001,827

Statement of Financial Performance

	Note(s)	12 months ended 30 June 2017	12 months ended 30 June 2016 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	2,022,856	1,906,783
Rendering of services		382,554	266,058
Rental of facilities and equipment		81,153	78,416
Agency services		2,500,252	682,382
Other income	20	525,282	761,454
Interest received	25	3,357,608	3,848,570
Total revenue from exchange transactions		**8,869,705**	**7,543,663**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	16	26,201,914	24,789,106
Property rates - penalties imposed	16	5,119,281	4,185,197
Transfer revenue			
Government grants & subsidies	18	165,515,396	169,036,270
Public contributions and donations	19	243,838	1,198,665
Fines		830,575	889,252
Subsidies		1,394,359	1,089,265
Total revenue from non-exchange transactions		**199,305,363**	**201,187,755**
		8,869,705	7,543,663
		199,305,363	201,187,755
Total revenue	15	**208,175,068**	**208,731,418**
Expenditure			
Employee related costs	22	(53,037,066)	(45,773,199)
Remuneration of councillors	23	(9,147,871)	(8,604,997)
Retirement benefits		(216,215)	(263,699)
Depreciation and amortisation	26	(17,925,293)	(15,620,781)
Finance costs	27	(1,034,235)	(1,347,178)
Operating lease		(739,572)	(788,127)
Debt impairment	24	(13,319,073)	(3,786,563)
Landfill rehabilitation		(79,024)	(102,106)
General expenses	21	(81,916,946)	(78,810,123)
Total expenditure		**(177,415,295)**	**(155,096,773)**
		-	-
Total revenue		208,175,068	208,731,418
Total expenditure		(177,415,295)	(155,096,773)
Operating surplus		**30,759,773**	**53,634,645**
Loss on disposal of assets		(65,688)	(2,671,881)
Actuarial gains/(losses)	5	236,263	(526,918)
Gain/Loss on provision		-	464,344
		170,575	**(2,734,455)**

Statement of Financial Performance

Figures in Rand	Note(s)	12 months ended 30 June 2017 2017	12 months ended 30 June 2016 2016 Restated*
Operating surplus/deficit		170,575	(2,734,455)
Surplus before taxation		30,930,348	50,900,190
Taxation		-	-
Surplus for the period		**30,930,348**	**50,900,190**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at July 1, 2015	**216,101,637**	**216,101,637**
Changes in net assets		
Surplus for the period	50,900,190	50,900,190
Total changes	50,900,190	50,900,190
Opening balance as previously reported	266,780,614	266,780,614
Adjustments		
Correction of errors	221,198	221,198
Restated* Balance at July 1, 2016 as restated*	**267,001,812**	**267,001,812**
Changes in net assets		
Surplus for the 12 Months	30,930,348	30,930,348
Total changes	30,930,348	30,930,348
Balance at June 30, 2017	**297,932,160**	**297,932,160**

For details on the correction of errors, please refer to Note 33 on prior period error.

Cash Flow Statement

Figures in Rand	Note(s)	12 months ended 30 June 2017 2017	12 months ended 30 June 2016 2016 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from ratepayers, and other		28,072,465	28,017,726
Grants		164,907,544	175,015,256
Interest income		3,357,608	3,848,570
		196,337,617	206,881,552
Payments			
Employee costs		(61,948,674)	(57,664,357)
Suppliers		(77,542,533)	(75,540,912)
Finance costs		(1,034,235)	(1,347,178)
		(140,525,442)	(134,552,447)
Total receipts		196,337,617	206,881,552
Total payments		(140,525,442)	(134,552,447)
Net cash flows from operating activities	30	**55,812,175**	**72,329,105**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(61,642,676)	(72,475,155)
Proceeds from disposal of assets	3	476,496	527,142
Purchase of other intangible assets	4	(852,788)	(407,506)
Proceeds from sale of other intangible assets	4	2,885	-
Net cash flows from investing activities		**(62,016,083)**	**(72,355,519)**
Cash flows from financing activities			
Finance lease payments		(3,851,161)	(3,769,726)
Net cash flows from financing activities		**(3,851,161)**	**(3,769,726)**
Net increase/(decrease) in cash and cash equivalents		**(10,055,069)**	**(3,796,140)**
Cash and cash equivalents at the beginning of the year		41,431,156	45,227,296
Cash and cash equivalents at the end of the year	10	**31,376,087**	**41,431,156**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	2,019,090	-	**2,019,090**	2,022,856	**3,766**	
Rendering of services	328,499	54,870	**383,369**	382,554	**(815)**	
Rental of facilities and equipment	111,124	(19,947)	**91,177**	81,153	**(10,024)**	a
Agency Services	1,761,061	617,614	**2,378,675**	2,500,252	**121,577**	
Other income	474,387	54,242	**528,629**	525,282	**(3,347)**	
Interest received - investment	3,699,943	-	**3,699,943**	3,357,608	**(342,335)**	
Gains on disposal of assets	374,987	(232,774)	**142,213**	-	**(142,213)**	b
Total revenue from exchange transactions	**8,769,091**	**474,005**	**9,243,096**	**8,869,705**	**(373,391)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	30,771,517	(4,800,990)	**25,970,527**	26,201,914	**231,387**	
Property rates - penalties imposed	4,354,527	631,629	**4,986,156**	5,119,281	**133,125**	
Transfer revenue						
Government grants & subsidies	146,315,000	28,105,076	**174,420,076**	165,515,396	**(8,904,680)**	c
Public contributions and donations	-	-	**-**	243,838	**243,838**	d
Fines	435,274	(3,000)	**432,274**	830,575	**398,301**	e
Subsidies	1,103,000	200,703	**1,303,703**	1,394,359	**90,656**	
Total revenue from non-exchange transactions	**182,979,318**	**24,133,418**	**207,112,736**	**199,305,363**	**(7,807,373)**	
'Total revenue from exchange transactions'	8,769,091	474,005	**9,243,096**	8,869,705	**(373,391)**	
'Total revenue from non-exchange transactions'	182,979,318	24,133,418	**207,112,736**	199,305,363	**(7,807,373)**	
Total revenue	**191,748,409**	**24,607,423**	**216,355,832**	**208,175,068**	**(8,180,764)**	
Expenditure						
Employee related costs	(54,355,419)	(1,624,912)	**(55,980,331)**	(53,037,066)	**2,943,265**	f
Remuneration of councillors	(8,651,481)	(540,609)	**(9,192,090)**	(9,147,871)	**44,219**	
Retirement benefits	-	(216,215)	**(216,215)**	(216,215)	**-**	
Depreciation and amortisation	(21,240,288)	3,314,995	**(17,925,293)**	(17,925,293)	**-**	
Finance costs	(1,170,688)	(24,687)	**(1,195,375)**	(1,034,235)	**161,140**	
Debt Impairment	(6,500,000)	(6,819,073)	**(13,319,073)**	(13,319,073)	**-**	
Landfill site expense	-	(79,024)	**(79,024)**	(79,024)	**-**	
General Expenses	(82,689,584)	(2,932,398)	**(85,621,982)**	(82,656,518)	**2,965,464**	h
Total expenditure	**(174,607,460)**	**(8,921,923)**	**(183,529,383)**	**(177,415,295)**	**6,114,088**	
	191,748,409	24,607,423	**216,355,832**	208,175,068	**(8,180,764)**	
	(174,607,460)	(8,921,923)	**(183,529,383)**	(177,415,295)	**6,114,088**	
Operating surplus	**17,140,949**	**15,685,500**	**32,826,449**	**30,759,773**	**(2,066,676)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Loss on disposal of assets and liabilities	-	-	**-**	(65,688)	**(65,688)**	
Actuarial gains/losses	-	-	**-**	236,263	**236,263**	
	-	**-**	**-**	**170,575**	**170,575**	
	17,140,949	15,685,500	**32,826,449**	30,759,773	**(2,066,676)**	
	-	-	**-**	170,575	**170,575**	
Surplus after gains/losses	**17,140,949**	**15,685,500**	**32,826,449**	**30,930,348**	**(1,896,101)**	
Surplus for the period	17,140,949	15,685,500	**32,826,449**	30,930,348	**(1,896,101)**	
	-	-	**-**	-	**-**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**17,140,949**	**15,685,500**	**32,826,449**	**30,930,348**	**(1,896,101)**	

Significant increase/decrease above and below 10% is explained as per the below;

a) Rental of facilities: The municipality anticipated that there will be a high demand in hiring of community hall and facilities by the public which was not the case.

b) Gains on disposal: The municipality expected to sell some assets at a gain, however assets were disposed at zero proceeds (i.e. poor condition and unverified assets)

c) Government grants: The municipality has not fully spent the 2016/2017 allocations, however these unspent grants are these unspent grants are committed and rollover applications have been made..

d) Donations: The municipality did not budget for donation, this was received from UThukela District Municipality.

e) Fines: The law enforcement section issued more fines than what was initialy expected.

f) Employee related cost: The municipality section issued more fines than what was initially expected.

gFinance costs: the lease outstanding balance was reduced though timeous payments made hence the reduced finance costs.

h) General expenses: The municipality exercised cost cutting measures and close monitoring of the budget spending.

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Non-Current Assets						
Capital Budget	(38,089,000)	(37,701,763)	**(75,790,763)**	(62,495,464)	**13,295,299**	
Non-Current Assets	-	-	**-**	-	**-**	
Current Assets	(38,089,000)	(37,701,763)	**(75,790,763)**	(62,495,464)	**13,295,299**	
Total Assets	**(38,089,000)**	**(37,701,763)**	**(75,790,763)**	**(62,495,464)**	**13,295,299**	
Assets	(38,089,000)	(37,701,763)	**(75,790,763)**	(62,495,464)	**13,295,299**	
Liabilities	-	-	**-**	-	**-**	
Net Assets	**(38,089,000)**	**(37,701,763)**	**(75,790,763)**	**(62,495,464)**	**13,295,299**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Accounting Policies

1.3 Property, plant and equipment (continued)

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	30
Plant and machinery	Straight line	3 - 15
Motor vehicles	Straight line	5
Office equipment	Straight line	3 - 10
IT equipment	Straight line	5 - 10
Infrastructure	Straight line	
• Roads - Gravel		3 - 10
• Roads - Tar		10 - 15
• Paving		5 - 30
Community	Straight line	
• Solid waste disposal		10 - 15
• Community Assets		5 - 20
Leased Assets	Straight line	3 - 5

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset’s future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

Accounting Policies

1.3 Property, plant and equipment (continued)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.4 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Average Useful life
Computer software, other	3-5 years

Accounting Policies

1.4 Intangible assets (continued)

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

1.5 Financial instruments (continued)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Accounting Policies

1.5 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions, where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument or based on any available observable market data.

The fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

1.5 Financial instruments (continued)

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

Accounting Policies

1.5 Financial instruments (continued)

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions.

1.5 Financial instruments (continued)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is 10 to 12%

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

1.7 Impairment of cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

1.7 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.8 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Accounting Policies

1.8 Impairment of non-cash-generating assets (continued)

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:
[Specify criteria]

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

1.8 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.9 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

1.9 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.9 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

Accounting Policies

1.9 Employee benefits (continued)

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset .

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

1.9 Employee benefits (continued)

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.10 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

1.10 Provisions and contingencies (continued)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 32.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and

1.10 Provisions and contingencies (continued)

- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Landfil Rehabilitation Provision

The Landfill Rehabilitation Provision is created for the rehabilitation of the current operatinal sites at the future estimated time of closure.

The value of the provision is based on the expected future cost to rehabilitate of the various site discounted back to the statement of position at the cost of capital, which is currently 2% (2016: 2%).

The municipality has an obligation to rehabilitate these Landfill sites. The cost of such property includes the initial estimate of the cost of rehabilitating the land and restoring the site on which it is located, the obligation which the municipality incurs as a consequenceof having used the property during a particular for landfill purposes. The municipality estimates the useful lives and makes assumption to the useful lives of these assets, which inf .luences the provision for future costs.

The asset is measured using the cost model :
a) subject to (b), changes in the liabilityare added to, deducted from, the cost of the related assets in the current period;
b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
c) if the adjustment results in an addition to the cost of an asset, the economic entity considers whether this is an indication that the new carrying amount of the asset amy not be fully recoverable. if it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

1.11 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.
  Commitments are disclosed inclusive of VAT.

1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.12 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

1.13 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.14 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.15 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current 12 months.

1.16 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the 12 months that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Accounting Policies

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the 12 months that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2016 to 6/30/2017.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

1.20 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.21 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

Accounting Policies

1.21 Events after reporting date (continued)

- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after July 1, 2017 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity’s annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality has adopted the standard for the first time when the Minister sets the effective date for the standard.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality has adopted the standard for the first time when the Minister sets the effective date for the standard.

The impact of the standard is set out in note Changes in Accounting Policy.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality has adopted the standard for the first time when the Minister sets the effective date for the standard.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 17 (as amended 2015): Property, Plant and Equipment

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Amendments identified as part of the post-implementation review, affected the following areas:

- Indicator-based assessment of the useful lives of assets

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Use of external valuers
- Encouraged disclosures
- Capital work-in-progress
- Expenditure incurred on repairs and maintenance

The effective date of the standard is for years beginning on or after April 1, 2016.

The municipality has adopted the standard for the first time in the 2017 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 21 (as amended 2015): Impairment of non-cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Non-cash-generating Assets are outlined below:

General definitions:

The definition of cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Identifying an asset that may be impaired:

Additional commentary has been added to clarify that physical damage triggers impairment of an asset when it results in a permanent or a significant decline in the potential of an asset.

Reversing an impairment loss:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

An indicator has been added that the restoration of an asset’s service potential following physical damage to the asset could indicate a reversal in an impairment loss.

Additional commentary has been added to clarify that restoration of an asset’s service potential as a result of physical damage is an indication that an impairment loss recognised in prior periods may no longer exist or may have decreased.

Disclosures:

The requirement to disclose the criteria developed to distinguish non-cash-generating assets from cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after April 1, 2017.

The municipality expects to adopt the standard for the first time in the 2018 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 26 (as amended 2015): Impairment of cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Cash-generating Assets are outlined below:

General definitions:

The definitions of cash-generating assets and cash-generating unit have been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets below.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Disclosures:

The requirement to disclose the criteria developed to distinguish cash-generating assets from non-cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after April 1, 2017.

The municipality expects to adopt the standard for the first time in the 2018 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Historically, public entities have prepared financial statements in accordance with generally recognised accounting practice, unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that entity. “Generally accepted accounting practice” has been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP), or for certain entities, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP have been withdrawn from 1 December 2012, public entities will be required to apply another reporting framework in the future.

The purpose of this Directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

The effective date of the standard is for years beginning on or after April 1, 2018.

The municipality expects to adopt the standard for the first time in the 2019 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

3. Property, plant and equipment

	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	3,562,868	-	3,562,868	3,562,868	-	3,562,868
Buildings	114,914,189	(20,038,842)	94,875,347	106,334,215	(15,773,886)	90,560,329
Plant and machinery	4,803,947	(1,126,071)	3,677,876	3,274,373	(552,313)	2,722,060
Building under construction	30,707,193	-	30,707,193	11,201,315	-	11,201,315
Motor vehicles	6,302,371	(1,961,445)	4,340,926	5,515,607	(1,532,223)	3,983,384
Office equipment	4,314,494	(2,121,194)	2,193,300	3,788,695	(1,560,487)	2,228,208
IT equipment	3,175,927	(1,401,185)	1,774,742	2,586,222	(1,006,220)	1,580,002
Infrastructure - Asset under construction	9,060,239	-	9,060,239	12,854,555	-	12,854,555
Infrastructure	171,453,925	(36,879,996)	134,573,929	138,842,993	(28,954,583)	109,888,410
Community	4,389,592	(3,167,908)	1,221,684	4,165,093	(3,090,171)	1,074,922
Leased Assets	21,527,231	(15,477,907)	6,049,324	21,798,519	(12,960,195)	8,838,324
Total	**374,211,976**	**(82,174,548)**	**292,037,428**	**313,924,455**	**(65,430,078)**	**248,494,377**

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Additions assets under construction	Disposals	Transfers	Depreciation	Total
Building under construction	11,201,315	-	27,394,008	-	(7,888,130)	-	30,707,193
Buildings	90,560,329	691,843	-	-	7,888,130	(4,264,955)	94,875,347
Community	1,074,922	227,499	-	(2,498)	-	(78,239)	1,221,684
IT equipment	1,580,002	670,000	-	(37,204)	22,360	(460,416)	1,774,742
Infrastructure	109,888,410	191,345	-	-	32,419,587	(7,925,413)	134,573,929
Infrastructure - Asset under construction	12,854,555	-	28,625,271	-	(32,419,587)	-	9,060,239
Land	3,562,868	-	-	-	-	-	3,562,868
Leased Assets	8,838,324	-	-	(46,584)	(22,360)	(2,720,056)	6,049,324
Motor vehicles	3,983,384	1,629,488	-	(411,655)	-	(860,291)	4,340,926
Office equipment	2,228,208	611,408	-	(12,152)	-	(634,164)	2,193,300
Plant and machinery	2,722,060	1,601,814	-	(32,091)	-	(613,907)	3,677,876
	248,494,377	**5,623,397**	**56,019,279**	**(542,184)**	**-**	**(17,557,441)**	**292,037,428**

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Additions assets under construction	Disposals	Transfers	Other changes, movements	Depreciation	Total
Building under construction	24,838,957	-	31,442,979	-	(45,080,621)	-	-	11,201,315
Buildings	51,713,536	305,304	-	(193,813)	41,773,679	-	(3,038,377)	90,560,329
Community	2,722,208	13,000	-	-	-	(793,445)	(866,841)	1,074,922
IT equipment	907,622	1,039,496	-	(50,683)	-	-	(316,433)	1,580,002
Infrastructure	67,966,093	31,700	-	(2,401,707)	51,136,525	-	(6,844,201)	109,888,410
Infrastructure - Asset under construction	24,866,574	-	35,817,564	-	(47,829,583)	-	-	12,854,555
Land	3,562,868	-	-	-	-	-	-	3,562,868
Leased Assets	12,183,959	-	-	(436,823)	-	-	(2,908,812)	8,838,324
Motor vehicles	3,839,976	831,049	-	-	-	-	(687,641)	3,983,384
Office equipment	1,741,971	1,032,312	-	(76,110)	-	-	(469,965)	2,228,208
Plant and machinery	1,070,819	1,961,751	-	(39,887)	-	-	(270,623)	2,722,060
	195,414,583	**5,214,612**	**67,260,543**	**(3,199,023)**	**-**	**(793,445)**	**(15,402,893)**	**248,494,377**

A register containing the information required by section 63 of the Municipal Finance Manangement Act is available for inspection at the registered office of the municipality

Pledged as security assets

Leased assets are pledged as a security to Wesbank for Plant and machinery bought through finance lease contract.

Figures in Rand	30 June 2017 2017	30 June 2016 2016

3. Property, plant and equipment (continued)

Repairs and Maintanance for Property Plant and Equipment

Amount paid to suppliers	1,849,087	2,452,457
Amount paid to employees	3,226,566	2,193,793
Materials	3,311,658	1,484,680
Fuel and Oil	1,490,915	2,476,995
	9,878,226	**8,607,925**

Repairs and maitanance on Property Plant and Equipment is detailed as follows;

Amount paid to suppliers R1 849 087 is classified under general expenses as sub-contracting services in the Statement of Financial Performance

Amount paid to employees R3 226 566 is classified under employee related costs in the Statement of Financial Performance.

Materials R3 311 658 are classified under general expenses as consumables in the Statement of Financial Performance.

Fuel and oil R1 490 915 is classified under general expenses in the Statement of Financial Performance.

Reconciliation of Work-in-Progress 2017

	Included within Buildings	Included within Infrastructure	Total
Opening balance	11,201,315	12,854,555	24,055,870
Additions/capital expenditure	27,394,008	28,625,270	56,019,278
Transferred to completed items	(7,888,130)	(32,419,587)	(40,307,717)
	30,707,193	**9,060,238**	**39,767,431**

Reconciliation of Work-in-Progress 2016

Assets donations

The municipality has received a Satellite building from Uthukela District at fair value of R243 837 during 2016/17 financial year

Property Plant and Equipment that is being constructed/developed

Early Childhood Development Centres (Ward 9,8,7 and 13)	5,363,911	-

Included in property plant and equipment (under construction) is a project that has been identified as taking a significant longer period of time to complete than expected .The reason was poor performance from a contractor, the contract was terminated and a new contractor was appointed.

Notes to the Annual Financial Statements

Figures in Rand

4. Intangible assets

	2017			2016		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	2,417,335	(1,117,489)	1,299,846	1,570,471	(752,679)	817,792

Reconciliation of intangible assets - 2017

	Opening balance	**Additions**	**Disposals**	**Amortisation**	**Total**
Computer software, other	817,792	852,788	(2,885)	(367,849)	1,299,846

Reconciliation of intangible assets - 2016

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software, other	628,177	407,506	(217,891)	817,792

Figures in Rand	30 June 2017 2017	30 June 2016 2016

5. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The municipality operates an accredited medical aid scheme. The post retirement medial aid plan , to which 2017: 1 member belongs, consists of the Key Health Medical Scheme. Pensioners continue on the option they belong to on the day of their retirement.

The independent valuers , carried out a statutory valuation as at 30 June 2017.

The principal actuarial assumptions used were as follows:

Discount rate per annum	8.31 %	9.30 %
Health care cost inflation rate	7.11 %	9.10 %
Benchmark inflation (equal to salary inflation)	5.61 %	8.60 %

The amounts recognised in the statement of financial position were

Post retirement medical obligation	202,703	201,751

Reconciliation of the movement in the liability

Opening balance	201,751	190,134
Interest cost	17,443	14,551
Expected employer benefit payments	(28,228)	(23,852)
Actuarial (gain) / loss	11,737	20,918
	202,703	**201,751**

Net expense recognised in the statement of financial performance

Interest cost	17,443	14,551
Expected employer benefit payments	(28,228)	(23,852)
Actuarial (gain) / loss	11,737	20,918
	952	**11,617**

Post retirement pension plan

The Municipality's personnel are members of one of the Natal Joint Municipal Pension (NJMPF) retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi- employer funds, the allocation of any surplus/ deficit to individual municipalities cannot be determined.

Furthermore, disclosure of further details such as acturial assumptions cannot be attributed to any specific municipality and is of no relevance to the users of the municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution plans.

An independent valuer carries out statutory valuation of the NJMPF on a triennial basis and an interim valuation on an annual basis. The 2017 interim valuations have not been released.

Superannuation funds

The latest statutory valuation of the Superannuation Fund (defined benefit) as at 31 March 2016 concluded that:

The Fund's liabilities for service to the valuation date was 100% (2016: 100 %) funded on the discounted cash flow method

At the valuation date:

The fund is 100% funded on the "best estimate" basis as of the valuation date, but that is not fully funded on the "financial soundness" basis incoporating the full solvency reserve.

5. Employee benefit obligations (continued)

There was no deficit in respect of active members. A surchage of 9.5% of pensionable salaries is payable for a period of 8 years with effect from 01 August 2012 to meet the deficit.

Retirement fund

The latest statutory valuation of the Retirement Fund (defined benefit) as at 31 March 2016 reflected:
The memorandum account in respect of pensioners was fully funded
Based on the valuation assumptions applied in 2000, the Fund was fully funded, however based on revised assumptions the Funds liabilities for the contributory members exceeded the value of the assets and an extension of the surcharge for another 5 years would be necessary to return the funding level to 100%.

The statutory actuarial valuation carried out on the retirement fund as at 31 March 2016 reflected:
The Fund is 93.8% (2015: 96.1) funded as at the valuation date at the overall level. A number of members is steadily reducing, due to members electing to transfer to one of other Natal Joint Funds or external fund. A recommendation is the current surcharge of 17,5% of pensionable salaries continues to be paid towards eliminating the deficit in the fund

Provident fund

The latest statutory valuation of the Provident Fund was performed as at 31 March 2016.

Long service awards

The independent valuers, carried out a statutory valuation on the long service leave benefit on 30 June 2017.

The principal actuarial assumptions used were as follows:

Notes to the Annual Financial Statements

Figures in Rand	30 June 2017 2017	30 June 2016 2016

5. Employee benefit obligations (continued)

Discount rate per annum	8.37 %	9.00 %
Inflation rate per annum	5.66 %	6.80 %
Salary increase rate per annum	6.66 %	7.80 %
Active members	118	122

The amounts recognised in the statement of financial position

Post retirement gratuity obligation	2,114,990	2,135,990

Reconciliation in the movement of liability

Opening balance	2,135,990	1,356,990
Past service cost	-	-
Interest cost	207,000	129,000
Expected employer benefit payments/Current service cost	263,000	187,000
Actuarial (gain) / loss	(248,000)	506,000
les municipality paid benefits	(243,000)	(43,000)
	2,114,990	**2,135,990**

Net expense recognised in the statement of financial performance

Past service cost	-	-
Interest cost	207,000	129,000
Expected employer benefit payments/current service cost	263,000	187,000
Actuarial gain / (loss)	(248,000)	506,000
	222,000	**822,000**

In conclusion
Statement of financial position obligation for

Post - employer medical benefits	202,703	201,751
Long service awards	2,114,990	2,135,990
	2,317,693	**2,337,741**

Statement of financial performance obligation for

Post - employer medical benefits	952	11,617
Long service awards	222,000	822,000
	222,952	**833,617**

Post-employment medical benefit (gains) and losses

Post - employer medical benefits gain / (loss)	11,737	20,918
Long service award gain/ (loss)	(248,000)	506,000
	(236,263)	**526,918**

6. Receivables from exchange transactions

Trade debtors	123,156	53,224
Accrued Interest	534,801	76,029
	657,957	**129,253**

Notes to the Annual Financial Statements

Figures in Rand	30 June 2017 2017	30 June 2016 2016

7. Receivables from non-exchange transactions

Fines	478,046	336,848
Other receivables -Staff Debtors	7,248	13,260
	485,294	**350,108**

Reconciliation of Receivable from non exchange - Traffic fines

Gross balance	1,040,586	656,016
Debt impairment	(562,540)	(319,168)
	478,046	**336,848**

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(319,168)	-
Provision for impairment	(243,372)	(319,168)
	(562,540)	**(319,168)**

8. VAT receivable

VAT	4,360,214	4,249,733

All 2016/17 Vat 201 were submitted to SARS up until June 2017. Accounting treatment for VAT is on cash basis.

Vat balance comprises of Vat receiveable from SARS (VAT control) R2 594 331, VAT input account (VAT expenditure incurred but not paid - payables) R1 955 884 and VAT output account (Service levied but not collected as at 30 June 2017) R3 067.54.

9. Consumer debtors

Gross balances		
Rates	32,239,640	26,229,259
Refuse	611,313	498,268
Other debtors	12,918,658	9,015,821
	45,769,611	**35,743,348**

Figures in Rand	30 June 2017 2017	30 June 2016 2016

9. Consumer debtors (continued)

Gross Balances	Organ of State	Commercial	Households	Other	Total
Current (0-30) days	518,225	310,673	680,251	1,196,496	2,705,645
31-60 days	550,181	133,439	440,863	759,388	1,883,871
61-90 days	540,748	105,866	379,584	670,030	1,696,228
91-120 days	532,156	85,388	325,939	541,223	1,484,706
121-365 days	3,246,521	267,452	2,060,946	3,874,833	9,449,752
> 365	8,721,490	555,465	6,923,956	11,712,850	27,913,761
Add back credit balances	-	-	-	635,648	635,648
	14,109,321	**1,458,283**	**10,811,539**	**19,390,468**	**45,769,611**

Impairment per catergory	**Organ of the state**	**Households**	**Commercial**	**Other**	**Total**
	(3,138,374)	(8,229,461)	(243,828)	(13,503,331)	(25,114,994)

Less: Allowance for impairment		
Rates	(17,690,624)	(9,005,527)
Refuse	(335,449)	(174,389)
Other	(7,088,921)	(3,155,451)
	(25,114,994)	**(12,335,367)**

Net balance		
Rates	14,549,016	17,223,732
Refuse	275,864	323,879
Other	5,829,737	5,860,370
	20,654,617	**23,407,981**

Rates		
Current (0 -30 days)	2,175,098	2,290,825
31 - 60 days	1,349,328	1,122,910
61 - 90 days	1,214,251	756,081
91 - 120 days	1,007,458	746,059
121 - 365 days	5,984,391	4,970,836
> 365 days	20,509,114	16,342,548
	32,239,640	**26,229,259**

Refuse		
Current (0 -30 days)	53,945	49,089
31 - 60 days	38,998	34,199
61 - 90 days	24,756	17,409
91 - 120 days	15,783	14,437
121 - 365 days	122,094	79,575
> 365 days	355,737	303,559
	611,313	**498,268**

Figures in Rand	30 June 2017 2017	30 June 2016 2016

9. Consumer debtors (continued)

Other debtors		
Current (0 -30 days)	476,601	400,737
31 - 60 days	495,543	382,160
61 - 90 days	457,220	405,505
91 - 120 days	461,465	361,765
121 - 365 days	3,343,277	2,802,491
> 365 days	7,684,552	4,663,163
	12,918,658	**9,015,821**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(12,335,367)	(9,373,645)
Contributions to allowance	(13,075,701)	(3,467,395)
Debt impairment written off against allowance	296,073	505,673
	(25,114,995)	**(12,335,367)**

Consumer debtors impairement analysis

Consumer debtors which are less than 3 months past due are not considered to be impaired. At June 30, 2017, R3 491 824 (2016: R 341,951) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Amount not past due or impaired	2,809,355	12,878,480
Amount past due but not impaired	3,491,824	341,951
Amount past due and impaired	39,468,432	22,522,918
	45,769,611	**35,743,349**

Consumer debtors impaired

As of June 30, 2017, consumer debtors of R39 468 432 (2016: R 22,522,918) were impaired and provided for.

The amount of the provision was R25 114 995 as of June 30, 2017 (2016: R 12,335,367).

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Short-term deposits	28,869,275	37,103,338
Cash on hand	6,195	6,195
Bank balances	2,500,617	4,321,623
	31,376,087	**41,431,156**

Notes to the Annual Financial Statements

Figures in Rand	30 June 2017 2017	30 June 2016 2016

10. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances June 30, 2017	Bank statement balances June 30, 2016	Cash book balances June 30, 2017	Cash book balances June 30, 2016
First National Bank: 51660362710 Cheque Account	2,500,617	4,321,623	2,500,617	4,321,623
First National Bank: 74484485427 Fixed Deposit	13,344,484	12,482,841	13,344,484	12,482,841
Absa Bank: 2074514859: Fixed Deposit	11,860,290	11,365,303	11,860,290	11,365,303
Investec : 1100463208500	3,664,502	13,255,194	3,664,502	13,255,194
Total	**31,369,893**	**41,424,961**	**31,369,893**	**41,424,961**

11. Finance lease obligation

	2017	2016
Minimum lease payments due		
- within one year	5,017,800	4,462,059
- in second to fifth year inclusive	1,792,658	6,176,429
	6,810,458	10,638,488
less: future finance charges	(624,751)	(1,635,869)
Present value of minimum lease payments	**6,185,707**	**9,002,619**
Present value of minimum lease payments due		
- within one year	4,470,332	4,462,059
- in second to fifth year inclusive	1,715,375	4,540,561
	6,185,707	**9,002,620**
Non-current liabilities	1,715,376	4,540,559
Current liabilities	4,470,332	4,462,059
	6,185,708	**9,002,618**

The average lease term was 3-5 years and the average effective borrowing rate for Vehicles was 10% to 12.% (2016: 10% to 12%)

Interest rates are linked to prime at the contract date as non fixed depending on the circumstances. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

Notes to the Annual Financial Statements

Figures in Rand	30 June 2017 2017	30 June 2016 2016

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Housing Projects Grant	9,900,153	9,900,153
Baseline Study Grant	46,438	46,438
Rural Development Grant	2,724,658	-
Spatial Planning Grant	7,088	7,088
Art and Culture Subsidy	-	39,563
Local Government Sectorial Education and Training Authority Grant (LGSETA)	6,100	-
Massification Grant	2,211,150	10,316,176
Mandatory LG Seta Grant	-	23,493
Community Service Centre Grant	4,829,472	-
	19,725,059	**20,332,911**

The nature and extent of government grants recognised in the Annual Financial Statements and is an indication of other forms of government assistance received by the municipality. Unfulfilled conditions remains a liability at year end and are disclosed in the statement of financial position.

See note 18 for reconciliation of grants from National/Provincial Government

13. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Interest costs	Increase in future value	Payments	Total
Environmental rehabilitation	3,957,161	-	79,024	122,659	-	4,158,844
Perfomance Bonuses	607,902	637,120	-	-	(607,902)	637,120
	4,565,063	**637,120**	**79,024**	**122,659**	**(607,902)**	**4,795,964**

Reconciliation of provisions - 2016

	Opening Balance	Additions	Interest costs	Decrease in future value	Payments	Total
Environmental rehabilitation	5,112,844	-	102,106	(1,257,789)	-	3,957,161
Performance bonuses	625,141	829,100	-	(221,198)	(625,141)	607,902
	5,737,985	**829,100**	**102,106**	**(1,478,987)**	**(625,141)**	**4,565,063**

Non-current liabilities	4,029,504	3,878,137
Current liabilities	766,460	686,926
	4,795,964	**4,565,063**

The provision for rehabilitation of Landfill site relates to the legal obligation to rehabilitate the landfill site used for waste disposal. It is calculated as the present value of the future obligation discounted at 2% over an estimated remaining usefull life of 2 years.

Balance of the provision for landfill site rehabilitation R4 158 844 (2016-R 3 957 161)
Increase in the cost of property, plant and equipment R122 659 (2016-R0).

The provisions also includes the Section 57 employees performance bonuses.

Notes to the Annual Financial Statements

Figures in Rand	30 June 2017 2017	30 June 2016 2016

14. Payables from exchange transactions

Trade payables	5,384,762	5,466,738
Payments received in advanced	635,648	498,482
Retention	9,089,246	5,338,731
Leave pay accrual	3,440,294	3,086,558
Unallocated Receipts	49,829	30,115
Sundry Payables	90,593	111,301
13th Cheque Accrual	1,120,140	1,003,970
Department of Water Affairs	104,344	104,344
	19,914,856	**15,640,239**

15. Revenue

Rendering of services	382,554	266,058
Service charges	2,022,856	1,906,783
Rental of facilities and equipment	81,153	78,416
Agency services	2,500,252	682,382
Other income	525,282	761,454
Interest received	3,357,608	3,848,570
Property rates	26,201,914	24,789,106
Property rates - penalties imposed	5,119,281	4,185,197
Government grants & subsidies	165,515,396	169,036,270
Public contributions and donations	243,838	1,198,665
Fines	830,575	889,252
Subsidies	1,394,359	1,089,265
	208,175,068	**208,731,418**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	2,022,856	1,906,783
Rendering of services	382,554	266,058
Rental of facilities and equipment	81,153	78,416
Agency services	2,500,252	682,382
Other income	525,282	761,454
Interest received	3,357,608	3,848,570
	8,869,705	**7,543,663**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	26,201,914	24,789,106
Property rates - penalties imposed	5,119,281	4,185,197
Transfer revenue		
Government grants & subsidies	165,515,396	169,036,270
Public contributions and donations	243,838	1,198,665
Fines, Penalties and Forfeits	830,575	889,252
Subsidies	1,394,359	1,089,265
	199,305,363	**201,187,755**

Notes to the Annual Financial Statements

Figures in Rand	30 June 2017 2017	30 June 2016 2016

16. Property rates

Rates received

Residential	8,126,699	7,808,142
Commercial	3,330,659	3,034,077
State	4,753,628	4,464,852
Municipal	383,493	352,128
Small holdings and farms	5,887,169	5,556,712
Communal Land	2,299,550	2,171,105
Other	10,933,940	10,337,771
Less: Income forgone	(9,513,224)	(8,935,681)
	26,201,914	24,789,106
Property rates - penalties imposed	5,119,281	4,185,197
	31,321,195	**28,974,303**

Valuations

Residential	1,054,384,000	1,054,929,000
Commercial	418,083,000	410,048,000
State	606,330,012	606,330,012
Municipal	48,275,000	47,585,000
Small holdings and farms	3,000,564,000	2,987,324,000
Communal Land	293,310,000	293,310,000
Other	1,756,012,100	1,740,403,100
	7,176,958,112	**7,139,929,112**

Valuations on properties are performed every 5 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.Interim Valuations have been received for 2016/17 financial year.

Assessments rates are determined by applying the following cents in the rand on the market valuation:

Agriculture properties used for agriculture purposes	0.00196	0.00186
Business and commercial properties	0.00784	0.00740
Industrial properties	0.00784	0.00740
Municipal properties, land reform, informal settlements, public worship	0.00784	0.00740
Public service infrastructure and Public benefit organisations	0.00196	0.00186
Residential Properties and State	0.00784	0.00740
Communal Land, Privately Developed, Tourism and Hospitality	0.00784	0.00740
Municipal properties binded by lease agreement	0.00784	0.00740
Rebates granted to:		
Agricultural and Agricultural small holdings	20 %	20 %
Place of Worship, Communal Land and Municipal Property	100 %	100 %
Privately Developed Estates	20 %	20 %
Public Service Infrastructure	100 %	100 %
Residential small holding and rural residential	20 %	20 %

A rebate is granted in terms of the MPRA on the first R15 000 of the market value of all residential properties . Public Service Infrastructure are permitted a 100% impermissible exemption.

An additional rebate is allowed on the next R85,000 of all properties within a residential category. A 20% rebate is allowed for other properties based on the category of the property.

Pensioners receive a 50% rebate on application. The rebate is applied on a sliding scale between the maximum allowed for indigent and a limit income of R14 000 per month. A 5% discount is applicable to rates settled on calculation,application and paid in advance for a specific financial year.

Notes to the Annual Financial Statements

Figures in Rand	30 June 2017 2017	30 June 2016 2016

16. Property rates (continued)

Rates are levied on an annual basis over 12 monthly instalments with the final date for payment being 31 July 2017.

Interest at a fixed rate of 18% per annum (2016: 18 %) is levied on the rates outstanding one month after due date.

17. Service charges

Refuse removal	2,022,856	1,906,783

18. Government grants and subsidies

Operating grants		
Equitable share	96,932,000	98,494,000
Financial Management Grant (FMG)	1,825,000	1,800,000
Municipal Systems Infrastructure Grant (MSIG)	-	930,000
Intergrated National Electrification Programme Grant (INEP)	11,500,000	10,000,000
Expanded Public Works Programme (EPWP)	2,934,000	1,803,000
Local Government Sectorial Education and Training Authority (LG SETA)	1,149,500	5,469,200
Housing Grant	-	186,390
Massification Grant	14,215,026	9,683,824
	128,555,526	128,366,414
Capital grants		
Municipal Infrastructure Grant (MIG)	27,014,000	27,456,000
Small Town Rehabilitation	-	2,601,856
Testing and Disaster Centre Grant - Cogta	-	7,000,000
Fresh Produce Market	-	2,000,000
Disaster Relief Grant	-	1,612,000
Bergville Community Service Centre Grant	2,670,528	-
Department of Rural Development Grant	7,275,342	-
	36,959,870	40,669,856
	165,515,396	**169,036,270**

Equitable Share

Current-year receipts	96,932,000	98,494,000

In terms of the Constitution of South Africa, this grant is used to subsidise provision for basic services and for the municipality's operations.

Finance Management Grant (FMG)

Current-year receipts	1,825,000	1,800,000
Conditions met - transferred to revenue	(1,825,000)	(1,800,000)
	-	**-**

This grant was used for implementation of MSCOA, Municipal Finance Management Programme and payments of interns, Budget Officer and Budget and Treasury Clerk salaries. No funds were withheld.

Notes to the Annual Financial Statements

Figures in Rand	30 June 2017 2017	30 June 2016 2016

18. Government grants and subsidies (continued)

Gijima KZN - Baseline Study Grant

Balance unspent at beginning of 12 months	46,438	46,438

Conditions still to be met - remain liabilities (see note 12).

This grant is used for the local economic developement study. No funds were withheld.

Municipal Systems Infrastructure Grant (MSIG)

Balance unspent at beginning of 12 months	-	-
Current-year receipts	-	930,000
Conditions met - transferred to revenue	-	(930,000)
	-	**-**

This grant was used for the the implementation of IT systems. No funds were withheld.

Spatial Planning Grant

Balance unspent at beginning of 12 months	7,088	7,088

Conditions still to be met - remain liabilities (see note 12).

This grant was used for the developement and improvement of the Municipality's spatial planning. No funds were withheld.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of 12 months	-	-
Current-year receipts	27,014,000	27,456,000
Conditions met - transferred to revenue	(27,014,000)	(27,456,000)
	-	**-**

The grant is for the implementation of projects approved by MIG. No funds were withheld.

Massification Grant (Cogta)

Balance unspent at beginning of 12 months	10,316,176	-
Current-year receipts	6,110,000	20,000,000
Conditions met - transferred to revenue	(14,215,026)	(9,683,824)
	2,211,150	**10,316,176**

Conditions still to be met - remain liabilities (see note 12).

This grant is for Electrification of households including Sandlwana Electrification project. No funds were withheld.

Cogta - Testing and Disaster Centre Grant

Balance unspent at beginning of 12 months	-	-
Current-year receipts	-	7,000,000
Conditions met - transferred to revenue	-	(7,000,000)
	-	**-**

This grant is for construction of Testing and Disaster Centre . No funds were withheld.

Notes to the Annual Financial Statements

Figures in Rand	30 June 2017 2017	30 June 2016 2016

18. Government grants and subsidies (continued)

Cogta- Fresh Produce Market

Current-year receipts	-	2,000,000
Conditions met - transferred to revenue	-	(2,000,000)
	-	-

This grant is for construction of Fresh Produce Market. No funds were withheld.

Small Town Rehabilitation Grant

Balance unspent at beginning of 12 months	-	2,601,856
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(2,601,856)
	-	-

This grant is for the rehabilitation of Okhahlamba municipal area. No funds were withheld.

Disaster Relief Grant

Balance unspent at beginning of 12 months	-	1,612,000
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(1,612,000)
	-	-

This grant is for the construction of Ngubane gravel road and storm water management structures. No funds were withheld.

Intergrated National Eletrification Programme (INEP)

Current-year receipts	11,500,000	10,000,000
Conditions met - transferred to revenue	(11,500,000)	(10,000,000)
	-	-

This grant is for the electrification of households. No funds were withheld.

Housing Projects

Balance unspent at beginning of 12 months	9,900,153	10,086,543
Conditions met - transferred to revenue	-	(186,390)
	9,900,153	**9,900,153**

Conditions still to be met - remain liabilities (see note 12).

The grant is for the construction of housing.The Housing Projects grant revenue is currently part of the forensic investigation, which is ongoing, The projects identified for funding have already been paid for by the Department of Human Settlements and the Municipality is engaging with the department of Human Settlements in resolving the issues of the investigations.

Notes to the Annual Financial Statements

Figures in Rand	30 June 2017 2017	30 June 2016 2016

18. Government grants and subsidies (continued)

Expanded Public Works Programme (EPWP)

Balance unspent at beginning of 12 months	-	-
Current-year receipts	2,934,000	1,803,000
Conditions met - transferred to revenue	(2,934,000)	(1,803,000)
	-	**-**

This grant is for the salaries and operational costs of the contract employees for Extended Public Works Programme.No funds were withheld.

Local Government Sectorial Education and Training Authority Grant (LG SETA)

Current-year receipts	1,155,600	5,469,200
Conditions met - transferred to revenue	(1,149,500)	(5,469,200)
	6,100	**-**

Conditions still to be met - remain liabilities (see note 12).

This grant is provided for the Work Integrated Learning Programme in implementing the National Skills Development Strategy for the provision of experiential training to further education and training of graduates. No funds were withheld.

Community Service Centre Grant

Current-year receipts	7,500,000	-
Conditions met - transferred to revenue	(2,670,528)	-
	4,829,472	**-**

Conditions still to be met - remain liabilities (see note 12).

The grant is for the construction of the Community Service Centre .No funds were witheld

Rural Development Grant

Current-year receipts	10,000,000	-
Conditions met - transferred to revenue	(7,275,342)	-
	2,724,658	**-**

Conditions still to be met - remain liabilities (see note 12).

This grant is for the Construction of the Sports Complex. No funds were witheld

19. Public contributions and donations

Public contributions and donations	243,838	1,198,665

During 2016/17 financial year the municipality received donation of a Satellite building from Uthukela district at a fair value of R243 838.

Notes to the Annual Financial Statements

Figures in Rand	30 June 2017 2017	30 June 2016 2016

20. Other income

Business Licenses	30,991	18,053
Fees for photocopies and subscriptions	66,909	57,091
Rates Clearance	24,649	52,413
Tenders	228,496	399,449
Valuation Roll	3,377	1,668
Taxi rank fees	16,666	5,693
Sundry revenue	154,194	227,087
	525,282	**761,454**

Included in Sundry revenue is the collection fee on outstanding debtors and interest received from SARS for late refunds payable to the Municipality.

Notes to the Annual Financial Statements

Figures in Rand	30 June 2017 2017	30 June 2016 2016

21. General expenses

Advertising	442,298	628,309
Arts and culture	1,283,263	218,523
Audit committee fees	264,574	268,859
Auditors remuneration	1,559,433	1,413,392
Awarness initiatives	8,355	235,182
Bank charges	44,960	72,737
Communications and public relations	332,262	152,493
Community outreach	137,715	-
Conferences and seminars	142,450	138,067
Consulting and professional fees	4,169,825	5,690,114
Consumables/repairs and maintanance	4,310,690	2,656,220
Disaster and emergencies	252,000	341,816
Education support	1,119,119	880,643
Electricity	1,394,994	912,775
Subsistence and travelling reimbursement	2,075,277	2,532,638
Electrification projects	23,507,764	21,685,235
Free basic electricity	2,007,699	2,075,427
Fuel and oil	5,218,601	3,782,909
IT expenses	963,344	825,120
Indigent support	1,514,153	1,468,206
Insurance	509,894	506,445
Job creation	4,156,981	3,558,162
Learnership programme	1,008,334	4,994,171
Local Economic Development	359,250	-
Marketing	582,269	154,906
Pauper burials	186,800	158,150
Postage and courier	74,031	52,940
Sub-contracting services/ repairs and maintanance	1,849,087	2,452,457
Printing and stationery	590,623	573,576
Protective clothing	222,760	269,106
Public participation	2,025,808	3,141,106
Rental of offices and office machines	430,572	681,056
Roadmarkings	-	79,043
License fees	613,483	508,637
SMME fund	6,312,478	4,310,356
Scholar patrol	89,820	80,080
Security (guarding of municipal property)	3,161,695	2,728,184
Small tools	54,150	151,763
Sport promotions	2,435,470	533,759
Strategic planning	449,663	511,053
Subscriptions and membership fees	505,383	510,570
Support physically challenged	-	649,960
Telephone and fax	2,498,764	2,019,555
Tourism development	427,098	222,234
Training	1,304,838	2,484,271
Uniforms	125,993	55,267
Valuation expense	339,114	214,619
Ward committee	539,000	648,200
Water	314,812	581,832
	81,916,946	**78,810,123**

Notes to the Annual Financial Statements

Figures in Rand	30 June 2017 2017	30 June 2016 2016

22. Employee related costs

Basic	35,539,832	30,450,266
Bonus	2,867,328	2,535,376
Medical aid - company contributions	1,280,863	1,079,416
UIF	307,073	261,926
SDL	434,729	382,118
Leave pay provision charge	1,260,696	779,371
Overtime payments	1,928,084	1,915,214
Long-service awards	224,897	52,159
Car allowance	2,701,471	2,379,755
Housing benefits and allowances	485,633	507,107
SALGA	16,381	13,971
Provident Fund	1,720,583	1,303,751
Post employee benefits - Pension	4,269,496	4,112,769
	53,037,066	**45,773,199**

Remuneration of Municipal Manager

Annual Remuneration	934,957	831,866
Car Allowance	170,000	156,000
Performance Bonuses	136,578	127,643
	1,241,535	**1,115,509**

Remuneration of Chief Finance Officer

Annual Remuneration	671,244	569,199
Car Allowance	206,000	192,000
Performance Bonuses	116,799	109,158
Housing and other allowances	90,000	84,000
	1,084,043	**954,357**

Remuneration of Director Social Services

Annual Remuneration	617,886	581,295
Car Allowance	158,000	144,000
Performance Bonuses	116,799	109,157
Housing and other allowances	120,000	120,000
	1,012,685	**954,452**

Remuneration of Director Technical Services

Annual Remuneration	570,362	547,370
Car Allowance	182,000	168,000
Performance Bonuses	116,799	109,158
Housing and other allowances	142,857	129,671
	1,012,018	**954,199**

Figures in Rand	30 June 2017 2017	30 June 2016 2016

22. Employee related costs (continued)

Remuneration of Director Corporate Services

Annual Remuneration	706,870	718,705
Car Allowance	168,000	168,000
Performance Bonuses	120,928	27,289
	995,798	**913,994**

23. Remuneration of councillors

Councillors	9,065,189	8,542,322
SDL and UIF	82,682	62,675
	9,147,871	**8,604,997**

Mayor

Annual Remuneration	642,864	568,509
Travel Allowance	109,009	189,503
Cellphone Allowance	22,666	20,868
SDL	7,372	6,810
	781,911	**785,690**

Deputy Mayor

Annual Remuneration	515,114	454,808
Travel Allowance	87,481	151,603
Cellphone Allowance	22,875	20,868
SDL	5,912	5,309
	631,382	**632,588**

Speaker

Annual Remuneration	515,114	450,263
Travel Allowance	87,481	151,603
Cellphone Allowance	22,666	20,868
SDL	5,772	4,627
	631,033	**627,361**

Exco

Annual Remuneration	821,763	710,592
Travel Allowance	143,203	233,826
Cellphone Allowance	69,871	62,604
Subsistence and travel reimbursements	33,456	7,901
SDL	9,447	7,484
	1,077,740	**1,022,407**

Councillors

Annual Remuneration	4,720,467	3,787,482
Travel Allowance	765,712	1,263,309
Cellphone Allowance	518,903	455,618
Subsistence and travel reimbursement	65,584	39,389
SDL and UIF	54,179	38,445
	6,124,845	**5,584,243**

Notes to the Annual Financial Statements

Figures in Rand	30 June 2017 2017	30 June 2016 2016

23. Remuneration of councillors (continued)

In-kind benefits

The Mayor, Deputy Mayor, and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has four full-time bodyguards/drivers and the use of a Council owned vehicle.

The Deputy Mayor has three full-time bodyguards/drivers and the use of a Council owned vehicle.

The Speaker has three full-time bodyguards/drivers and the use of a Council owned vehicle .

Accounting Officer's certification of Councillors remuneration

The Accounting Officer certifies that the salaries, allowances and benefits of Councillors as disclosed above are within the

upper limits of the framework envisaged in Section 219 of the Constitution read with the Remuneration of Public Office Bearer's Act.

Subsistence and travelling reimbursement

The councillors' subsistence and travelling reimbursement R99 040 is included under general expenses in the statement of

Financial Performance.

24. Debt impairment

Debt impairment - Consumer Debt	13,075,701	3,467,395
Debt impairment-Traffic Fines	243,372	319,168
	13,319,073	**3,786,563**

Debt impairment for consumer debtors comprises of R 296 073 bad debts written off and R12 779 628. increase in provision from 2016:R12 335 367 and 2017:R25 114 995

Debt impairment for traffic fines comprises of R243 372 total impairment.

25. Interest received

Interest revenue		
Interest received - Current Account	1,132,899	1,023,033
Interest received - Investments	2,224,709	2,825,537
	3,357,608	**3,848,570**
	-	-
	3,357,608	3,848,570

26. Depreciation and amortisation

Property, plant and equipment	17,557,445	15,402,890
Intangible assets	367,849	217,891
	17,925,294	**15,620,781**

Refer to reconciliation in note 4 and 3 for further details. Depreciation and amortisation is calculated over the useful life of the asset and reflects the realisation of that asset through continued use.

Notes to the Annual Financial Statements

Figures in Rand	30 June 2017 2017	30 June 2016 2016

27. Finance costs

Finance leases	1,034,235	1,347,178

28. Auditors' remuneration

Fees	1,559,433	1,413,392

29. Operating lease

The Municipality was leasing 15 photocopiers from Technology Acceptance and monthly rental expense has been accounted for in the statement of Financial Performance. The average lease term was 2 years with 0% escalation. The rental is fixed for the duration of the contract. No arrangements have been entered into for contigent net obligation under operating lease are secured by the lessor's tittle to the asset.

The contract ended on the 30 June 2017, no minimum lease payments were due from the old contract at year end.

The Municipality entered into a new operating lease agreement as from 01 July 2017 for a period of 3 years from RICOH, leasing 17 photocopier machines and a monthly rental has not been accounted for in the Statement of Financial Performance since the new contract begins in the new financial year 2017/18. The average lease term is 3 years with 0% escalation. The rental is fixed for the duration of the contract.

Minimum Lease Due -		
1 year	1,248,587	788,276
2-3 years	2,497,173	-
	3,745,760	**788,276**

30. Cash generated from operations

Surplus	30,930,348	50,900,190
Adjustments for:		
Depreciation and amortisation	17,925,293	15,620,781
Profit / Loss on sale of assets and liabilities	65,688	2,207,537
Finance costs - Finance leases	1,034,235	1,347,178
Debt impairment	13,319,073	3,786,563
Movements in retirement benefit assets and liabilities	(20,048)	790,617
Movements in provisions	230,901	(1,172,922)
Changes in working capital:		
Receivables from exchange transactions	(528,704)	902,406
Consumer debtors	(10,565,709)	(9,021,954)
Other receivables from non-exchange transactions	(135,186)	(173,648)
Payables from exchange transactions	4,274,617	2,759,592
VAT	(110,481)	(1,596,221)
Unspent conditional grants and receipts	(607,852)	5,978,986
	55,812,175	**72,329,105**

Figures in Rand	30 June 2017 2017	30 June 2016 2016

31. Commitments

Authorised capital expenditure

Approved and contracted for		
• Capital projects	73,028,811	66,690,849
Approved but not yet contracted for		
• Capital projects	9,850,108	-

Authorised operational expenditure

Approved and contracted for		
• Operational projects already contracted for	7,519,971	7,938,535
Approved but not yet contracted for		
• Operational projects not yet contracted for	6,664,436	-

32. Contingent liabilities

No contigent liabilities exist for the period ended 30 June 2017 (2016: R45 019.53).

Outcome of the case previously disclosed is as follows;

Farrel Attorneys had instituted action against the municipality. In order to settle the matter the parties agreed that the bill of costs for Farrel attorneys would be taxed by a tax master and the validated costs would be deducted from the deposit previously paid by the Municipality. The R45 019 was the proven costs that was granted to Farrel. The balance of the deposit paid by the municipality was returned to the municipality.

Contingent assets

No contingent assets exist for the period ended 30 June 2017 (2016:R nil)

33. Change in Estimate

At 30 June 2017, there were assets which had reached their useful life and their useful lives were revised based on the conditions in terms of GRAP 17 paragraph 56.

The effect of this revision has decreased the depreciation charge for the current by R48 146.42.

The effect on the future annual depreciation cost will be as follows;

	Depreciation per annuam before	**Depreciation per annuam after**	**Difference (Future change in depreciation per annuam)**
Intangible assets	11,282	3,077	8,205
Leases	8,563	2,635	5,928
Computer equipment	25,983	7,688	18,295
Office furniture	25,303	11,124	14,179
Machinery and equipment	2,288	749	1,539
	73,419	**25,273**	**48,146**

Notes to the Annual Financial Statements

34. Prior period errors

The prior year error was a result of provision for performance bonuses for the two employees mistakenly included as a result these employees were also accounted under the 13th cheque provision and correction of error caused by a reduction of costs as from the Property plant and equipment under community assets a results of a decrease in landfill site rehabilitation provision, this has zero net effect as follows;

Previously
Cost of an assets R1 229 388 accumulated depreciation (R154 466)

Current 2016/2017
Cost of an assets R4 165 093 Accumulated depreciation (R3 090 171)

Due to GRAP 17 amendments effective as at 1 April 2017 requires the municipality to disclose the repairs and maintanance in the note, the municipality has classified the prior year repairs and maintanance under general expenditure by nature.

The correction of the error(s) results in adjustments as follows:

		Previously stated	Reclassification	Correction of error	Restated
Statement of Financial Position					
Non-current assets					
Provisions	13	829,100	-	(221,198)	607,902
		829,100	-	(221,198)	607,902
Net assets					
Accumulated surplus		266,780,629	-	221,198	267,001,827
		266,780,629	-	221,198	267,001,827
Employee related costs	22	(48,796,141)	-	221,198	(48,574,943)
Repairs and maintenance		(3,937,137)	3,937,137	-	-
General expenses	21	(72,071,242)	(3,937,137)	-	(76,008,379)
		(124,804,520)	-	221,198	(124,583,322)

35. Comparative figures

Certain comparative figures have been reclassified.

This is a result of reclassification of protective clothing R269 106 previously classified under employee related costs instead of general expenses and current portion for provision on landfill site R79 024 previously classified under non current liabilities. The subsistence and travelling reimbursement R2 532 638 was previously classified under employee related costs instead of general expenses.

The effects of the reclassification are as follows:

Statement of financial position - extract

	Comparative figures previously reported	Reclassification	After reclassification
Current Liabilities	829,100	79,024	908,124
Non Current liabilities	3,957,161	(79,024)	3,878,137
Total	**4,786,261**	**-**	**4,786,261**

Notes to the Annual Financial Statements

Figures in Rand

35. Comparative figures (continued)

Statement of financial performance - extract

	Comparative figures previously reported	Reclassification	After reclassification
Employee related costs	(48,796,141)	2,801,744	(45,994,397)
General expenses	(72,071,242)	(2,801,744)	(74,872,986)
Total	**(120,867,383)**	**-**	**(120,867,383)**

36. Risk management

Financial risk management

Due to the largely non-trading nature of the activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities.

The municipality's finance function monitors and manages the financial risks relating to the operations of the municipality. These risks include credit risk, liquidity risk, market risk relating to interest rate risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Other: Lease Obligations	4,470,332	4,462,059
Trade and Other payables	19,914,856	15,640,240
Maximum liquidity exposure	**24,385,188**	**20,102,299**

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:.

Financial assets exposed to credit risk at 12 months end were as follows:

Financial instrument	**2017**	**2016**
Cash and cash equivalents	31,376,087	41,431,156
Trade and other receivables	21,312,574	23,537,234

Market risk

Notes to the Annual Financial Statements

Figures in Rand

36. Risk management (continued)

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Cash and cash equivalents	31,376,087	41,431,156

Price risk

Due to legislative restrictions, the municipality does not trade these investments.

37. Events after the reporting date

No events after the reporting date 30 June 2017.

Notes to the Annual Financial Statements

Figures in Rand

38. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure		
Opening balance	776,395	790,939
Interest and penalties	1,186	907
Written off by Council	(1,186)	(15,451)
	776,395	**776,395**

Opening balance

An amount of R776 395 is a result of misconduct by a former employee, case was opened against employee for payments

ghost employees and the case is currently under investigation by South African Police Service.

Incidents2016/17

The fruitless and wasteful expenditure is the amount of R1 186 related to interest charged by Eskom and Uthukela District

Municipality for late payments.

39. Irregular expenditure

Opening balance	13,821,849	13,821,849
Contracts	-	186,390
Quotation	68,319	-
Written off by Council	(68,319)	(186,390)
	13,821,849	**13,821,849**

Incident 2016/17

Opening balance
This relates to forensic invetigations related to prior years 2007/2008, 2008/2009 and 2009/2010. The reports that have been concluded have been reported to the South African Police Services and included in irregular expenditure. The amounts are yet to be written off by Council, pending the outcome of the court cases.

Quotation
This relates to 2016/17 expenditure incurred,for an award made to a supplier who did not have a valid tax clearance certificate from SARS

Investigations in progress
The forensic investigation regarding the missing documents in respect of the 2007/2008, 2008/2009 and 2009/2010 financial periods continues. The reports that have been concluded have been reported to the South African Police Services and included in irregular expenditure.

40. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year subscription / fee	1,559,433	1,413,392
Amount paid - current year	(1,559,433)	(1,413,392)
Amount paid - previous years	-	-
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand

40. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE, SDL and UIF

Opening balance	-	-
Current year subscription / fee	9,212,697	7,573,658
Amount paid - current year	(9,212,697)	(7,573,658)
	-	-

Pension and Medical Aid Deductions

Opening balance	-	-
Current year subscription / fee	10,718,721	9,675,623
Amount paid - current year	(10,718,721)	(9,675,623)
	-	-

VAT

VAT receivable	4,360,214	4,249,733

VAT output payables and VAT input receivables are shown in note 8.

All VAT returns have been submitted by the due date throughout the 12 months.

Councillors' arrear consumer accounts

For the financial year ended 30 June 2017, there were no rates or services arrears owed by any councillor. Further, during the financially year there are no arrears owed by councillors which were outstanding for more than 90 days.

Supply chain management regulations

Quotations: In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. These deviations refer to the instances as stipulated in the regulations and relates mainly to emergencies and instances where it was impossible to follow SCM processes..
Bids: In terms of regulation 36 of the Municipality Supply Chain Management Regulation, any deviations from Supply Chain Management Policy has been approved by the Municipal Manager and noted by the Council.

Quotations	2,205,634	2,455,662